

ABSTRACT

Firmansyah, Dani. 2013. Title: "The Implementation of Stock Diversification on Return Rate and Potfolio Risk" (Studies on companies listed in the Jakarta Islamic Index)

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A well-known principle in financial management is high risk high return. It means that an investment that provides a high return rate would be offset by a high level of risk as well. Therefore, in order to reduce the risk of an investment an investor should diversify or distribute it in various assets. This study aims to determine the level of risk and return portfolio by implementing diversification.

Based on these problems, this study used qualitative methods and descriptive approach. The data is taken from a secondary external data of daily stock prices and JII index from December 2011 to November 2012. Data analysis method used in this research was Markowitz model portfolio.

The study states that a diversification significantly lowers risk of portfolio risk which is relatively smaller than the risk of individual stocks, using the size of the correlation coefficient in the concept of diversification. In the diversification the size of the correlation coefficient influences portfolio risk. The smaller (negative) correlation coefficient between the rates of profit, the more effective reduction on the level of risk. The evidence can be seen in the portfolio combination of PT. Lippo Karawacih and PT. Unilever Indonesia Tbk with the level of risk 0.017% and rate of return 0.199%. In addition, PT. Lippo Karawacih and Perusahaan Gas Negara (Persero) Tbk with a risk level 0.017% and rate of return 0.188%. Both portfolio combination has the highest correlation coefficient.